

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 SAJ-01 EB-11 OMB-01 SWF-02 AID-20 CEA-02

COME-00 FRB-02 CIEP-02 STR-08 TRSE-00 LAB-06 SIL-01

SAM-01 ACDA-19 DRC-01 /177 W
----- 030928

R 141821Z JUN 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9952

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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E.O. 11652: N/A

TAGS: PFOR, FR, GW

SUBJECT: HELMUT SCHMIDT INTERVIEW IN JUNE 11 "LE MONDE"

REF: A) BONN 08927; B) PARIS 13541; C) PARIS 14286;

D) PARIS 14374

1. SUMMARY. IN A WIDE-RANGING INTERVIEW WITH "LE
MONDE" EDITOR-IN-CHIEF ANDRE FONTAINE, FRG CHANCELLOR

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HELMUT SCHMIDT (WHO SPOKE IN ENGLISH) ELABORATED ON

HIS RECENTLY-CONCLUDED TALKS WITH FRENCH PRESIDENT VALERY GISCARD D'ESTAING (REFS A AND B). SCHMIDT LIBERALLY PRAISED THE NEW FRENCH PRESIDENT FOR HIS STRONGLY ANTI-INFLATIONARY PROGRAM, EXPRESSED CONFIDENCE IN A EUROPEAN COMMUNITY STRENGTHENED BY COORDINATED FRANCO-GERMAN ECONOMIC POLICIES, CALLED FOR THE FREE TRADE OF GOLD BY CENTRAL BANKS, AND RECALLED HIS ROLE IN SUPPORTING FRANCO-GERMAN COOPERATION IN DEVELOPING WEAPONS SYSTEMS. FOLLOWING ARE HIGHLIGHTS OF SCHMIDT INTERVIEW IN JUNE 11 "LE MONDE".
END SUMMARY.

2. ON VALERY GISCARD D'ESTAING: SCHMIDT LIBERALLY PRAISED HIS OLD FRIEND, THE NEW FRENCH PRESIDENT. AFTER REMARKING ON THE "VERY FRIENDLY AND CORDIAL" CONVERSATIONS OF MAY 31 AND JUNE 1, HE CHARACTERIZED GISCARD AS A MAN OF "GREAT GOOD SENSE", ONE CONCERNED WITH THE SUBSTANCE OF PROBLEMS RATHER THAN WITH SUPERFICIALITIES AND PROTOCOL. "GISCARD UNDERSTANDS FINANCES," SCHMIDT WENT ON, "HE UNDERSTANDS THE ECONOMY AND UNDERSTANDS HOW TO CONSTRUCT INTERNATIONAL ECONOMIC MECHANISMS. WHAT'S MORE, HE HAS AN EXTREMELY SOUND BUDGET, THE BEST IN EUROPE FROM ALL POINTS OF VIEW."

3. ON THE FUTURE OF THE EC: SCHMIDT OBSERVED THAT GISCARD IS "PROFOUNDLY COMMITTED TO THE FUTURE OF THE COMMUNITY OF EUROPE." THEY HAD AGREED THAT THE PROBLEMS OF THE COMMON MARKET CANNOT BE SOLVED BY METHODS CONTRARY TO THE LETTER AND SPIRIT OF THE COMMUNITY. THE CHANCELLOR REMARKED WITH SATISFACTION THAT GISCARD IS GIVING "ABSOLUTE PRIORITY" TO REDUCING INFLATION AND STABILIZING THE VALUE OF THE FRANC. SCHMIDT LEFT NO DOUBT THAT HE CONSIDERS THE SEVERE IMBALANCE OF PAYMENTS BETWEEN EC STATES TO BE THE COMMUNITY'S MAJOR PROBLEM. "EUROPE CANNOT CONTINUE IN THIS MANNER," HE SAID, "WITH ONE COUNTRY WHICH TRIES TO STABILIZE ITS PRICES AND THE OTHERS WHICH DO NOT." THE SOLUTION DOES NOT LIE IN ONE OR ANOTHER COUNTRY TAKING PROTECTIONIST MEASURES TO LIMITED OFFICIAL USE

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INSULATE ITSELF AGAINST ITS HEALTHIER NEIGHBORS, HE SAID, BUT IN ALL THE EC STATES COOPERATING TO REDUCE INFLATION AND TO STABILIZE THEIR TRADE BALANCES. SCHMIDT WAS PLEASED THAT GISCARD HAD REJECTED THE PROTECTIONIST ROAD. FRANCO-GERMAN-BENELUX UNDERSTANDINGS ON THESE NECESSARY MEASURES CAN "SIGNIFY THAT THE COMMUNITY AS SUCH WILL SURVIVE." SCHMIDT ADDED THAT GERMANY'S OWN LARGE TRADE SURPLUSES ARE NOT

HEALTHY AND THAT HE DOES NOT SEEK TO MAINTAIN THEM;
HE IS MORE INTERESTED IN INCREASING THE REAL WAGES OF
GERMAN WORKERS.

4. ON WORLD MONETARY REFORM: SCHMIDT SAID WORLD
MONETARY REFORM IS NOT AT AN IMPASSE; IT IS POSSIBLE
TO AGREE ON THE GENERAL GUIDELINES FOR REFORM. IDEALLY,
HE SAID, WE SHOULD BE ABLE TO AGREE ON A SYSTEM BASED
UPON FIXED BUT ADJUSTED PARITIES. BUT THE "FANTASTIC"
FLUCTUATION OF CAPITAL LAST YEAR OCCASIONED BY THE

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ACTIONS OF THE OIL-PRODUCING STATES RENDERS IT IMPOSSIBLE TO RETURN AT THIS MOMENT TO ANY SYSTEM OF FIXED PARITIES. SCHMIDT CALLED FOR AN AGREEMENT AMONG THE IMF MEMBERS TO PERMIT CENTRAL BANKS TO USE THEIR GOLD, TO BUY AND SELL GOLD, AND TO MAKE SETTLEMENTS IN GOLD AMONG THEMSELVES AT FREELY AGREED PRICES OTHER THAN THAT OF THE "SO-CALLED" OFFICIAL MARKET PRICE. HE LIMITED OFFICIAL USE

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THOUGHT THE UNITED STATES COULD NOT LONG REJECT THIS IDEA, WHICH HE MAINTAINED WOULD NOT RESULT IN RESTORING GOLD TO THE CENTER OF THE NEW MONETARY SYSTEM.

5. ON EUROPEAN DEFENSE: WHEN FONTAINE ASKED FOR SCHMIDT'S THOUGHT ON THE FRENCH IDEA OF "A EUROPEAN SOLUTION TO THE PROBLEMS OF DEFENSE," SCHMIDT DECLINED COMMENT, EXCEPT TO SAY THAT "WE CAN DO SOMETHING ALONG THIS LINE." HE SAID HE WOULD PREFER TO HOLD HIS OPINIONS UNTIL THE NEW FRENCH GOVERNMENT STUDIES THE PROBLEM AND MAKES KNOWN ITS VIEWS. HE RECALLED THAT, AS DEFENSE MINISTER, HE WAS INSTRUMENTAL IN BRINGING ABOUT CLOSE FRENCH-GERMAN COOPERATION IN DEVELOPING CERTAIN WEAPONS INCLUDING THE "ROLAND" AND "MILAN" ANTI-TANK MISSILES AND THE "HOT" GROUND TO AIR MISSILE.

6. ON A POLICY TOWARD THE THIRD WORLD: IT MIGHT BE NECESSARY TO CONCLUDE WORLD AGREEMENTS BETWEEN PRODUCER AND CONSUMER STATES, SCHMIDT SAID, RATHER THAN PERMIT SUDDEN POLICY REVERSALS DUE TO GOVERNMENTAL CHANGES IN THIS OR THAT COUNTRY. SCHMIDT ADDED, HOWEVER, THAT HE WOULD BE RELUCTANT TO DO THIS UNLESS IT WERE CLEARLY NECESSARY, BECAUSE FUNDAMENTALLY HE IS A FREE-TRADER.

7. COMMENT: SCHMIDT'S COMMENTS IN "LE MONDE" REINFORCE THE GENERAL IMPRESSION THAT A CLOSE AND SYMPATHETIC RELATIONSHIP EXISTS BETWEEN THE FRENCH AND GERMAN LEADERS, AND THAT THESE TWO FORMER FINANCE MINISTERS ARE PREPARED TO TAKE A TOUGH APPROACH TOWARD PULLING EUROPE OUT OF ITS ECONOMIC DOLDRUMS. SCHMIDT WAS APPARENTLY WELL-BRIEFED BY GISCARD ON THE FRENCH ECONOMIC PROGRAM APPROVED BY THE COUNCIL OF MINISTERS JUNE 12 (REF D). SCHMIDT APPARENTLY SHARES GISCARD'S CONFIDENCE THAT THE LATTER'S AUSTERITY MEASURES WILL BRING INFLATION UNDER CONTROL.

8. POUCHING FULL FRENCH TEXT TO EUR/WE.
IRWIN

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